



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

orig w/ Ewel: MA Wright
cc w/o Ewel: Tom Mitchell
Dms KUT Seal
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DIVISION OF
OIL, GAS AND MINING

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IN REPLY REFER TO:

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(UT-935)

Lowell P. Braxton, Director
Division of Oil, Gas and Mining
P.O. Box 145801
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

RE: Request to Increase the Bond for Magnesium Corporation of America's
(Magcorp) Knolls Facility

Dear Mr. Braxton:

Please consider this letter as the BLM Utah State Office's official request to Oil, Gas and Mining (OGM) to require an increase in the reclamation bond for the Magcorp Knolls Facility. I am asking that Oil, Gas and Mining require the Magnesium Corporation of America to post a bond for this facility in the amount of \$6,158,586 for reclamation in full.

As we both know, this mine is unusual from the standpoint that BLM originally thought of, and treated, this site as a Right-Of-Way. Our two agencies' operating procedures dictate that if this operation had been authorized as a Federal mineral lease, then BLM would hold the bond. OGM has issued an approval of a Large Mining Operation permit for the Knolls Facility, and currently holds a reclamation bond of \$110,000. Past practice in these situations calls for OGM to continue holding the bond where an increase is warranted, with BLM named as a co-principle on the bond. Since this is such a large increase in the bond estimate, I understand that it is OGM's desire to have this come to you as an official BLM State Office request.

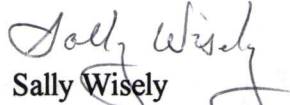
Over the last few years, BLM has been carefully considering the impact and final disposition of this mine. You and your staff have heard BLM's concern for achieving full reclamation of this mine for safety, environmental, and resource protection reasons. I understand that Oil, Gas and Mining is in agreement with both updating the operating and reclamation plan for this mine as well as the reclamation bond. Because the majority of this facility exists on BLM administered Public Domain, with a few State Institutional Trust Lands tracts involved, BLM's mining engineer, Stan Perkes, calculated a bond for complete reclamation of the Knolls Facility mine site. Mr. Perkes presented the basic points of this bond estimate to you on September 28, 2000. As you saw in his presentation, he

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consulted with your Minerals Program mining engineer, Anthony Gallegos, and he applied standard methods in the calculation of this bond. I believe he has prepared a reasonable and documented estimate for this site and have enclosed a copy of his calculations which includes all lands at the site, regardless of surface ownership.

Thank you for working with the BLM to accomplish a more equitable bonding situation within the mining industry. Please let me know if there is anything else that needs to be done to support this endeavor.

Sincerely,


Sally Wisely
State Director

Enclosure:

1. Magcorp Bond Summary (41 pp)

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